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FISCAL IMPACT STATEMENT

LS 7431

BILL NUMBER: HB 1380

NOTE PREPARED: Jan 9, 2009

BILL AMENDED:

SUBJECT: Energy Efficient Buildings.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Construction, Reconstruction, Repair, Alteration, or Retrofitting of Public Building or Structure:* The bill requires a building or structure constructed, reconstructed, repaired, altered, or retrofitted with certain public works contracts entered into after December 31, 2009, to be designed with the goal of achieving the silver rating under the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system, the Green Globes Two Globes level, or an equivalent standard under an equivalent rating system that is accredited by the American National Standards Institute.

State Agency Purchases: It provides that for state agency purchases, there is a 5% price preference for certain office equipment that is compliant with the United States Environmental Protection Agency Energy Star ratings.

Indiana Economic Development Corporation: The bill allows the Indiana Economic Development Corporation to adopt rules allowing the Corporation to give priority to economic development projects that meet or surpass the standards of the leadership in energy and environmental design ratings systems developed by the U.S. Green Building Council or the Green Building Initiative.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of Administration, Public Works:* The bill will increase up-front costs for the Department of Administration (DOA) to construct or reconstruct, repair, alter, or retrofit public buildings and structures to meet the silver rating under the LEED or Green Globes rating systems, or an equivalent rating system accredited by the American National Standards Institute. However, the additional cost to build using the LEED or other rating systems is indeterminate and will depend on the

project undertaken. Additional construction or reconstruction, repair, alteration, or retrofitting costs may be offset by energy savings or durability in future fiscal periods.

Department of Administration, Equipment Purchases: The bill could increase costs for equipment purchases to the extent that a price preference for Energy Star-compliant equipment is 5%. However, energy cost savings could offset initial costs. The DOA reports that 99% of the electrical equipment purchased for the state in 2005 was compliant with the Energy Star rating.

Indiana Economic Development Corporation: The IEDC could incur minimal cost to adopt rules concerning priority projects.

Additional Details and Background Information - Bill Requirements: The public works provisions apply to any state public work, a public work by a state agency, and state institutions. The project must have a value of more than \$1 M and does not apply to structures listed on or eligible to be listed on the National Register of Historic Places or structures designed solely to store commodities or other property, such as a highway salt barn.

State Buildings Meeting Energy Efficient Standards: Five state buildings have received LEED certification, including the Issac Ray Forensic Patient Facility at Logansport State Hospital (received silver certification); three buildings at Madison State Hospital; and the Department of Health and State Police Laboratory. The DOA incorporates some LEED standards in new capital projects depending on the circumstances of the building or facility. Also, the DOA audits campus-type facilities for energy use. DOA indicates that audits of certain state facilities that do not have air conditioning or heating systems may not be cost-effective. The DOA undertook no new construction in the last year.

Energy Efficiency Executive Order: Executive Order 08-14 has the following provisions:

- All new state buildings shall be designed, constructed, operated, and maintained to achieve maximum energy efficiency to the extent this can be accomplished on a cost-effective basis, considering construction and operating costs over the life cycle of the building.
- The DOA shall use the goal of achieving energy efficiency for the design of all buildings that require a cost-effectiveness analysis, and design repairs and renovations of existing buildings to achieve the maximum energy efficiency on a cost-effective basis.
- Efficiency may be demonstrated by achieving the silver rating under the LEED rating system; the two globes rating under the Green Globes rating system; the Environmental Protection Agency's ENERGY STAR®; or an equivalent under a rating system that is accredited by the American National Standards Institute.
- Historic aesthetic and local-sourced materials shall be afforded value in the cost analysis for repairs and renovations, and Indiana hardwood lumber should be considered for all projects where practicable as a local source material..

The DOA requires that the designer providing an analysis of the building design describe the elements to be used to meet the LEED standard for silver rating. The analysis must include the highest point rating possible in the energy-efficient segment of the standard. Certain requirements of the state's building program may

preclude the use of all available options for optimizing the building design, making the threshold energy efficiency nonachievable. The designer provides the best estimate of the increase in initial construction cost for complying with this requirement along with an estimate for yearly energy cost savings and the added fees to design for this requirement. Overall, the DOA estimates that meeting LEED standards adds 5-10% to the project cost, but that designing to LEED standards and then selecting the components will add less cost and still result in energy cost savings.

Registration or self-assessment of a project is between \$450 and \$600 for LEED and Green Globes. Third-party verification is between \$4,000 and \$5,000 for Green Globes, and LEED certification fees vary by project size but average \$2,000. LEED indicates that projects do not have to cost more to meet LEED certification standards. Green Globes estimates that meeting its standards normally costs between 1% and 2% more, and that extreme weather conditions can add as much as 8%.

The LEED rating system has four categories for both new and existing buildings that include certification, silver, gold, and platinum standards. The rating is determined by earning points in categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design. LEED informational material available on its website in 2008 indicates that existing building standards have an average return on investment of 2.6 years and annual net savings of \$170,000.

Explanation of State Revenues:

Explanation of Local Expenditures: Local units would have to construct and reconstruct, repair, alter, or retrofit public buildings and facilities to meet the LEED or Green Globes rating standards or equivalent rating system accredited by the American National Standards Institute if the project contract is more than \$1M, the structure is not on or eligible to be on the National Register of Historic Places, and the structure is not designed to store commodities or other property.

Explanation of Local Revenues:

State Agencies Affected: DOA; Agencies making supply purchases; IEDC.

Local Agencies Affected: Local units.

Information Sources: Tom Coulter, DOA; www.USGBC.org; <http://www.thegbi.org/gbi>.

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